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U.S. DEPARTMENT OF AGRICULTURE • FARMERS HOME ADMINISTRATION



# LOANS for Water Development and Soil Conservation



PA-554 (P)

# **Loans for Water Development and Soil Conservation**

- Irrigation
- Farmstead Water
- Drainage
- Soil and Water Conservation
- Forestry
- Fish Farming
- Land Development

The Farmers Home Administration makes soil and water loans accompanied by technical management assistance to owners or operators of farms and ranches including partnerships and corporations to assist them in developing, conserving, and making proper use of their land and water resources.

Soil and water loans are made only to applicants who are unable to obtain the credit they need from private and cooperative sources at reasonable rates and terms.

Applications of eligible veterans are given preference. Both veterans and non-veterans must meet the same requirements and qualifications for loans.

## **How may loan funds be used?**

Loans may be used to drill wells and otherwise improve water supply systems for irrigation, home use, and livestock; purchase pumps, sprinkler systems, and other irrigation equipment; acquire a water supply or water right; purchase water stock or membership in an incorporated water users' association; construct and repair ponds and tanks, ditches, and canals

for irrigation; dig ditches and install tile to drain farmland; develop ponds and water control structures for the production of fish under controlled conditions.

These loans may also be used to level land; carry out basic land treatment practices including liming, fertilizing, and seeding; subsoil or sod land; establish permanent pastures and farm forests; establish approved forestry practices on a farm such as pest control, thinning, and fire protection.

Funds may also be used to build dikes, terraces, waterways, and other erosion control structures.

In addition, loan funds may be used to obtain plans and pay fees for legal, engineering, and other technical services.

## **What are the terms and interest rate?**

The interest rate is 5 percent per year on the unpaid principal. Each loan is scheduled for repayment within a period consistent with the borrower's ability to repay. The maximum term is 40 years.

A borrower has the privilege of making large payments in years of high income to build up a reserve that may keep the loan in good standing during years of low income.

## **Who may borrow?**

To be eligible, an applicant must:

- (1) Be a farm operator or farmowner, a partnership that owns and operates a farm, or a domestic corporation engaged in farming.
- (2) Be unable to obtain the necessary credit on reasonable terms and conditions from private or cooperative lenders.
- (3) Be of legal age.
- (4) Possess the character, industry, and ability to carry out the proposed

operations, and honestly endeavor to carry out the undertakings and obligations required of him in connection with the loan.

- (5) Plan to improve a farm which will produce agricultural commodities in sufficient quantities to be recognized in the community as a farm rather than a rural residence.
- (6) If the applicant is a tenant, have a satisfactory written lease for a sufficient period of time and under terms that will enable him to obtain reasonable returns on the improvements made with the loan.

### **Who determines eligibility?**

The county or area committee of the Farmers Home Administration determines the eligibility of applicants. The committee consists of three farmers who know local farming and credit conditions and what it takes for a farmer to succeed.

### **If the applicant is eligible, what is the next step?**

The Farmers Home Administration county supervisor will assist the applicant in working out a farm and home plan to determine the soundness of the loan and the applicant's debt-paying ability.

If the applicant operates the farm himself, the plan will show the best use of land, labor, livestock, and equipment. This plan will be a guide for him and his family to follow in operating the farm. It will show the crops and livestock the borrower expects to produce for sale and home use; practices to follow in caring for land, crops, and livestock; proposed expenditures for livestock and equipment for running the farm and home; and the expected income and how it will be used. Before a loan is made it must be clear that



he will have enough income to meet farm operating and family living expenses and to repay the loan and other debts.

### **What additional management assistance may the borrower receive after the loan is made?**

Soil and water loans are accompanied by advice in sound farm and home management to help farmers and ranchers make profitable use of land, labor, capital, and other resources that will be available to them. The county supervisor furnishes advice and assistance in keeping accurate records of expense and income and in budgeting and otherwise making wise use of income and credit. He also provides on-the-farm assistance with farm and money management problems during the first few years of the loan.

### **What security is required?**

Each loan will be adequately secured to protect the interest of the Government.

Usually, a loan will be secured by a real estate mortgage. In certain cases, a loan may be secured by a lien on chattels.

### **What are the loan limits?**

The loan may not exceed the normal value of the farm and other security minus any debts against this property and may not exceed the amount certified by the local committee. An appraisal is made of the security property to determine its normal value.

In no case may the Farmers Home Administration loan plus other debts against the security property exceed \$60,000.

## **Does it cost anything to apply for a loan?**

No. If a loan is made, however, the borrower pays for legal services necessary to establish a satisfactory title to the farm and pays the fees charged by local county governments for filing and recording the real estate or chattel security instrument held by the Farmers Home Administration.

## **What other financial assistance is available from the Farmers Home Administration?**

Financial assistance is also available to buy livestock and equipment and pay farm and home operating expenses; build and improve rural homes and essential farm service buildings; purchase and develop farms and refinance debts; develop income producing recreational facilities; install or improve domestic water supply systems and waste disposal systems; shift land to grazing and forests; establish community recreation facilities; build housing for senior citizens and farm laborers; develop watersheds; and to meet emergency credit needs of farmers suffering from a natural disaster such as hail, flood, or drought.

## **How do Farmers Home Administration loans aid in rural areas development?**

These loans help farm families acquire the resources and skills they need to improve their operations, raise their standards of living, increase their incomes, and participate in new agricultural enterprises. This assistance in turn stimulates business activity in neighboring towns and, in general, helps the farm families and



the communities of which they are a part make an important contribution to the strength of the Nation's economy.

**If a farmer is not eligible for a loan from the Farmers Home Administration, may he obtain financial advice?**

Yes. The county supervisor will do all that he can to help a farmer find a solution to his financial problems. Sometimes this may mean helping the farmer and his creditors work out a repayment schedule that is more in line with the farmer's repayment ability. Sometimes it may mean a close analysis of just how much a farmer can afford to borrow and information on other sources of credit.

**Where to apply for a loan.**

An applicant applies at the county Farmers Home Administration office serving his area. There he will be given an application blank, and the county office staff will be glad to answer any questions he may have.

Anyone unable to locate the local office may write to the Farmers Home Administration, U.S. Department of Agriculture, Washington, D.C. 20250.

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